

LEWISHAM SCHOOLS FORUM			
<b>REPORT TITLE</b>	<b>Dedicated Schools Grant Budget Report 2016/17</b>		
<b>KEY DECISION</b>	<b>Yes</b>	<b>Item No.</b>	<b>5</b>
<b>CLASS</b>	<b>Part 1</b>	<b>Date</b>	<b>19 January 2016</b>

## 1. Purpose of this Report

The purpose of this report is to report back to Forum members on the outcome of the Schools Funding Consultation and to gain the Forum's agreement to the Dedicated Schools Grant budget for 2016/17.

## 2. Recommendations

That the Forum

- a) Note the position on the IDACI, free meal and prior attainment data from DFE and the resulting reduction in the total quantum of ISB allocations of £1.2m;
- b) Note the increase in DFE funding of the high needs block of £0.5m,
- c) Note the reduced cost of NNDR (business rates) within the DSG of £0.2m;
- d) Agree to apply the £1.2m, the £0.5m and £0.2m saving on NNDR, set out above, to the funding of the High Needs Block to offset the projected overspend;
- e) To use £0.2m of 'collaborative' funding to balance the high needs block spending pressures;
- f) To agree to redistribute the remaining £1.8m of the £2.0m collaborative funding budget to individual schools' budgets on the basis of deprivation factors;
- g) To agree to increase the lump sum in Primary schools to the level of that in secondary schools - £142.5k, bringing Lewisham more into line with other local authorities;
- h) To agree the mutual fund terms of reference
  - 2015/16 Growth Fund
  - 2016/17 Contingency
  - 2016/17 Falling Rolls Fund
  - 2016/17 Growth Fund

### 3. Background

- 3.1 The current financial forecasts indicate a spending pressure of £2.9m on the High Needs Block in 2015/16. This grows to £4.1m in 2016/17. Included in this figure is £1.5m for population growth and inflation. It is anticipated that population growth and inflation will add a budget pressure of £1.5m every year subsequent to 2016/17.
- 3.2 At the last meeting the Forum considered the budget position for 2016/17 along with a report from the High Needs Sub Group. This group was set up in 2013 to consider the cost pressures in the High Needs block. The High Needs Group report recommended savings totalling £2.5m, all but one was agreed (CAMHS - £0.1m) by the Forum. One of the proposed savings was to end the “collaborative funding” which is a Lewisham specific central DSG spend, which funds support for pupils with low level, high incidence needs. The original proposal was to then allocate these resources to the High Needs block. Officers were asked to seek schools’ views on this and to report back to the next meeting for a final decision.
- 3.3 With the budget shortfall next year being £4.1m and the agreed savings from the high needs group report of £2.4m, there remained a further £1.7m to be found. The Forum considered and agreed two proposals: the reduction in the growth fund and support to schools for the management of capital projects totalling £0.8m. Also considered as part of the reductions package was a proposal to reduce schools formula funding by £0.9m The Forum asked officers to seek schools’ views on this last component before it arrived at a final decision.
- 3.4 The summary of the savings is as follows

Savings	Purpose	Budget	2016/17 Reduction	School Forum Status 10 Dec15
		£m	£m	
<b>Schools Block contribution to savings</b>				
Growth Fund	To support schools who are expanding	1.8	0.7	Agreed
Management of Capital Funding Projects Allocation	To support costs of capital	0.4	0.1	Agreed
<b>High Needs Block savings</b>				
Commissioned Places	Base funding for special schools & resource bases	7.7	0.4	Agreed
Website	To develop a school website for schools	0.05	0.05	Agreed

Closing the gap	To support the ambassador programme	0.1	0.05	Agreed
Alternative Education Provision	Support to pupil referral units	1.6	0.2	Agreed
Drumbeat Support	Extended school provision	0.8	0.3	Agreed
Attendance and Welfare	Support to secondary schools	0.2	0.2	Agreed
<b>Total Saving above</b>			<b>2.0</b>	<b>Agreed</b>
SEN Collaborative Funding (from the high needs block)	Support to school for low level high incidence need pupils	2.0	1.2	Consulting
Reduce Schools Budget (from schools block)	Schools funding calculated on a per pupil basis		0.9	Consulting
<b>Total Savings if all proposals are taken</b>			<b>4.1</b>	
CAMHS	Contribution towards cost of service	0.1	0.1	Not Agreed by School Forum Dec 2015

#### 4. Settlement

##### 4.1 Funding Announcement

- 4.1.1 The schools funding settlement was announced on the 17<sup>th</sup> December 2015, after the date of the last meeting.
- 4.1.2 The DSG for 2016/17 has provisionally been set by the Department for Education (DfE) at £283.5m (before the EFA transfer for Post 16 High Needs funding). This figure will change during the year to reflect updated pupil numbers.
- 4.1.3 The DSG allocation for 16/17 represents a £4.1m increase (1.5%) in the DSG from 15/16 This increase is due to the following:
- there is an increase of £3.6m driven by the estimated increase in pupil numbers, largely in the primary age group (Although the amount per pupil has been frozen in cash terms).
  - Nationally, an extra amount of £92.5m has been added to the High Needs Block. Lewisham will receive an extra £0.5m or 1.1%
- 4.1.4 The 2016/17 funding rates for the pupil premium have been set by the DfE at this year's level namely

- Primary Deprivation £1,320
- Secondary Deprivation £935
- Looked-after children (LAC) £1,900
- Service children £300

The pupil premium deprivation element will be based on the January 2016 census data and the amount for each school will not be confirmed until the summer term. Schools will estimate their pupil premium allocation when setting their budgets.

4.1.5 The Minimum Funding Guarantee has been set by the Department for Education at minus 1.5% per pupil.

## 4.2 Settlement Data

4.2.1 As part of the schools' funding announcement, the DFE sent to Local Authorities the data they must use to calculate each school's funding allocation. This is a national requirement and the Schools Forum cannot change the data but it can set the funding rates to apply to the data in order to calculate the individual schools budgets.

4.2.2 The funding Lewisham receives for the schools block within the DSG is based on pupil numbers only. Lewisham receives £5,966 per pupil, there are 36,579 pupils which equates to a schools block of £218.237m. The changes in the data such as free meals ever 6 and IDACI does not influence the funding we receive. It does however alter the funding a school receives in its funding allocation through the formula. If the number of free meals decreases, the amount Schools Forum allocates to schools decreases but the level of the DSG stays the same. There has been a significant drop in the deprivation led data which means that for 2016/17 the funding formula will allocate £1.2m less to schools than in 2015/16. It is proposed to move this undistributed resource to the High Needs block to fund the spending pressure.

4.2.3 The reduction in the in the non-pupil number data is shown below with the corresponding financial impact, **pre** the MFG impact (See paragraph 4.2.4).

Formula Factor	2015/16 Data	2016/17 Data	Change in Funding from 2015/16 to 2016/17
	Units	Units	£'000
IDACI*	14,916	6,965	(567)
Free Meals "Ever 6"	14,693	14,495	(213)
Prior Attainment	7,636	7,002	(917)
Pupil Mobility	260	173	(105)
			(1,802)

\*Income Deprivation Affecting Children Index – Movement In Top 3 Bands Shown

**This does not take into account any likely fall in the pupil premium funding which is separate from the schools budget. The pupil premium is based on free meals ever 6 and is therefore likely to be reduced.**

- 4.2.4 The impact on individual schools' budgets is difficult to determine as the minimum funding guarantee (MFG) limits the amount of reduction that is possible in total. The MFG protects the per-pupil funding of schools from one year to the next against significant changes in funding formulae or changes in data not directly related to pupil numbers. The MFG has been set by the Department for Education at minus 1.5% per pupil.
- 4.2.5 The Income Deprivation Affecting Children Index (IDACI) is now based on the 2015 census data, the 2015/16 data was based on 2010 census data. The table in 4.2.3 shows the level of deprivation in Lewisham decreasing, i.e. the area has become less deprived.
- 4.2.6 Across London the same scenario exists, where most boroughs are deemed to have become less deprived since 2010. This is not reflected in the rest of the country. Appendix 5 shows a summary for London and the national position for each Local Authority.
- 4.2.7 In addition to the above data changes there has been a reduction in the non-domestic rates bill as a result of two schools changing status from community to voluntary aided. This has resulted in a saving of £0.2m for the DSG.
- 4.2.8 Overall and after MFG the loss to schools' ISB allocations is £1.4m.

## **5 Overall Schools Formula Calculation**

- 5.1 As seen above Lewisham receives £5,966 per pupil. The funding formula allocates this to schools based on a number of funding factors. On average £5,081 is allocated to Primary schools and £6,751 is allocated to secondary schools.
- 5.2 The Lewisham pupil roll is rising. If we have an extra pupil in the primary sector we receive from the government £5,966 but the local formula allocates £5,081; this leaves £885 per pupil. In secondary schools the position is reversed where for each extra pupil we receive £5,966 but allocate £6,751 to Lewisham schools; leaving a shortfall of £785 per pupil.
- 5.3 On this basis there is a 'residual' of £600k that can be used to increase the lump sum allocation for Primary schools. This would bring it up to £142,500, which equates to the secondary lump sum (with the movement of collaborative funding into the ISB taken into account). An increase in the lump sum helps smaller schools more than larger schools and enables them more easily to meet future pressures and makes their budget slightly less volatile than would otherwise be the case.

## 6 Revision to Proposals

The following revised proposals are now recommended.

- i) That the additional funding of £0.5m for high needs block and the reduced deprivation allocation, of £1.2m, are applied to the high needs block;
- ii) That the £0.2m reduction in NNDR resulting from the change in status of two schools be applied to fund the high needs block;
- iii) That £0.2m of the collaborative funding is applied to the high needs block to secure a balance of funding and projected pressures in 2016/17;
- iv) That the balance of collaborative funding is applied to the ISB formula funding of schools – a sum of £1.8m – on the same basis as the current calculation where possible (See 6.1 to 6.3 below).

The proposals in i, ii and iii above increase the High Needs Block by £2.1m and reduce the schools block by £1.2m. The proposal in iv transfers the collaborative funding to the schools block.

6.1 Currently, the collaborative funds are allocated to schools on the basis of deprivation factors. The funding total for primaries is distributed as follows: 50% on FSM Ever 6, 21% on Prior Attainment, 21% on Casual Admissions and 8% to ensure a minimum per pupil on roll. For secondaries the split is 39% on FSM Ever 6, 39% on Prior Attainment, 14% on casual admissions and 8% to ensure a minimum per pupil on roll. The school level data used is the same as is used for the schools' ISB funding which comes from the DfE. These are the same factors that have now reduced in the formula.

6.2. It is recommended that as compensation for the reduction of the total ISB funding allocated (- £1.2m) through the data changes (with its consequent effects on individual schools) that the balance of the collaborative funding (£1.8m) is applied back into the schools funding formula.

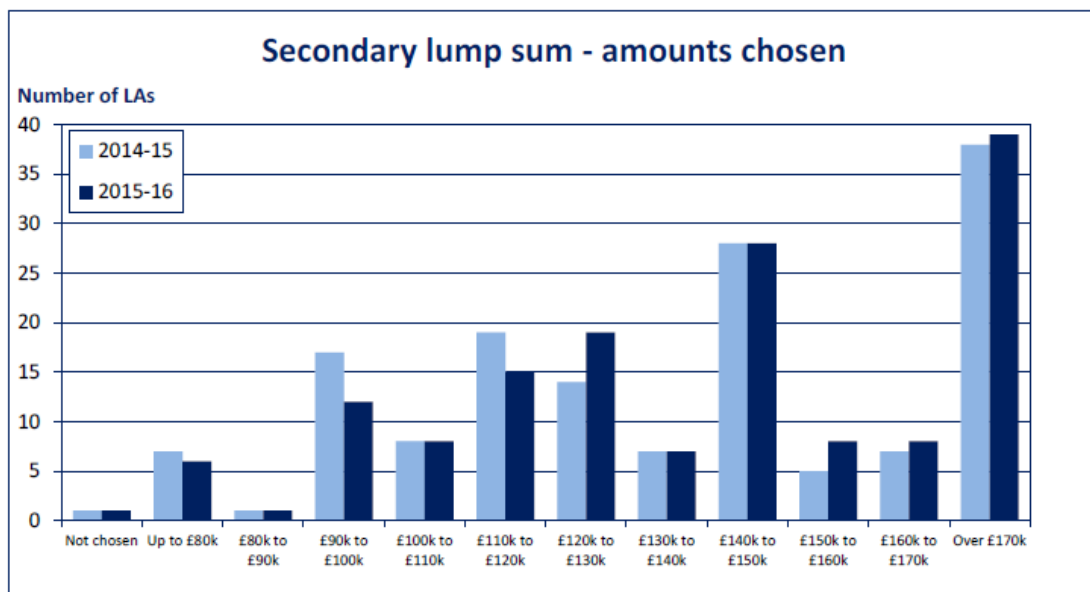
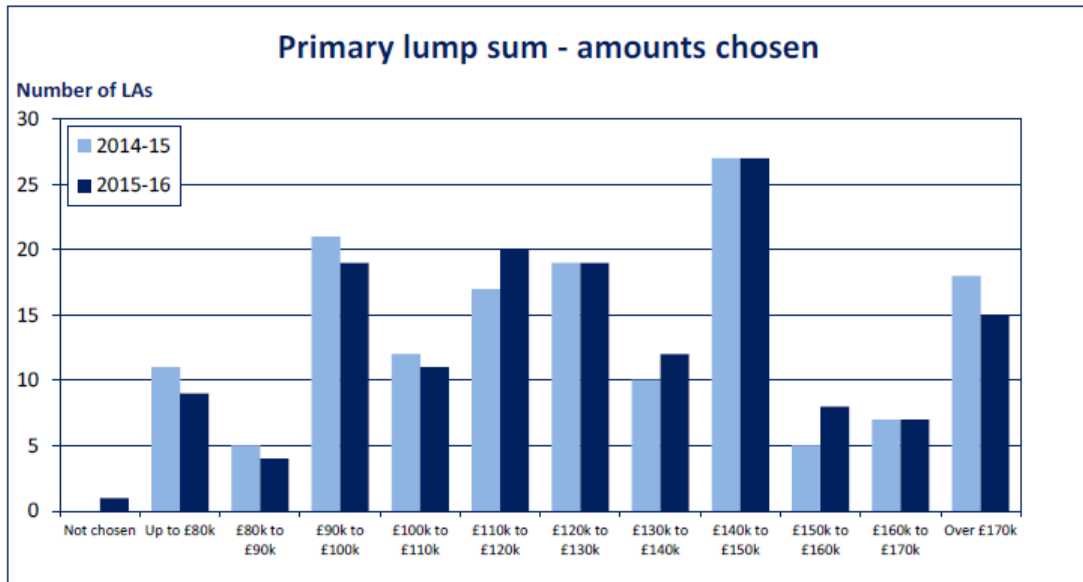
6.3 The impact of this is shown in Appendix 6.

### 6.4 Smaller Schools

6.4.1 One of the questions that has been raised in recent months is the future viability of smaller schools. It would be possible to address this to a small degree by increasing the lump sum, since this would proportionally increase smaller schools budgets by a greater extent than larger schools. This would bring us into line with other local authorities, so helping in preparation for national schools funding.

6.4.2 In 2015/16 the ISB lump sum for all Lewisham primary, secondary and all through schools was £130,901. In comparison with other Local Authorities our lump sum is on the lower side of the London average (£142k). The

following graphs provide details of the lump sums other Local Authorities have chosen to use.



6.4.4 The national funding formula is likely to move the balance of funding between primary and secondary toward the national average which is set out below and would have an impact in Lewisham. This change in the lump sum would anticipate that by lifting primary funding rather than reducing secondary funding.

6.4.5 The national ratio for primary: secondary per pupil funding is 1:1.28. This means that nationally secondary school funding is 28% higher than primary schools in 2015/16 (very slightly higher than in 2013-14 and 2014-15 formulae when the figure was 1:1.27). The inner London average ratio is 1:1.33. In Lewisham the ratio is 1:1.32, which is higher than the national

average but is in line with inner London authorities. With the revised proposals in this report the gap would close, but only marginally by 0.005%

- 6.4.6 The Schools Forum set up a task group at the meeting on the 10 December 2015 to look at the national funding formula, to inform the LA's response to the DfE consultation, its implementation, support arrangements for schools and the balance of funding between schools. While it may have been preferable to wait until this group has reported back to the Forum before making a decision on the lump sum, there is the opportunity to make a change for 2016/17.

## 7. The Consultation

- 7.1 The consultation on schools funding agreed at the last meeting of the School Forum opened on 17<sup>th</sup> December and was to end on 13<sup>th</sup> January. The consultation consisted of a written document with an on-line questionnaire. To support this, a series of drop in sessions were held on the 7 January 2016 and officers attended the Primary Leadership Forum on the 12 January 2016. At these sessions, schools were alerted to the changes in the data used to calculate the funding allocations. All schools were written to on the 12 January 2016 regarding these changes.

- 7.2 As a result of the changes those attending the drop in sessions urged that new consultation questions were included with the updated information on the settlement and the funding proposals.

- 7.3 The questionnaire now asks if schools are supportive of:

**a) The whole package of proposals 1 to 4 (see paragraph 6 of this report)**

YES/ NO

**b) An increase in the lump sum allocation as a support to smaller schools.**

YES / NO

- 7.4 The consultation period was extended to 15<sup>th</sup> January to allow consideration of the new but simpler proposals.

The response to the consultation will be tabled at the meeting.

- 7.5 At the drop in sessions there were a variety of questions raised:

- i. The most common concern was about how the issue in the high needs block had come about and what actions were being taken to address these to minimise the problems for the future. It was clear the work of the Schools Forum and its task group needed a wider airing.



- ii. A second concern was the loss of “collaborative funding” as labelled funding, as it said something positive about the approach to inclusion and there was a fear that this would be lost in the future.
- iii. The idea that primary schools should bear the burden of reduced resources rather than secondary schools was challenged and while there was recognition of the roll issues and the resulting diseconomies of scale, secondary school budgets were recognised as very large in comparison to most primary ones and therefore there should be scope to manage the challenges being described.
- iv. Early years providers wanted it noted that they had contributed significantly in providing much of the resources for the provision to meet high needs block overspending in 2015/16.
- v. There was significant concern about the data changes and the impact on Lewisham and more widely in London. Many did not feel that the conclusion from the data that Lewisham is less “needy” than previously felt right in relation to their experiences in schools.
- vi. In examining their individual allocations, most schools recognised the reasons for the most significant changes in their individual funding and for others with significant additions.

## **8 Drop-in Sessions Conclusion**

- 8.1 Broadly speaking, the views of the schools across the drop-in sessions were in favour of the revised proposals with concerns about the wider implications of not having a block of funding for collaborative working.
- 8.2 The DFE will release a consultation in the Spring on a national funding formula. The main driver is expected to be to address and reduce the national differences in funding between authorities, which would suggest it would be unwise to increase the differentials which would happen if a reduction in the basic entitlement was made to primary schools only.

## **9. Conclusions from the settlement**

- 9.1 The settlement was slightly better than expected, with an extra £0.5m in the High Needs Block. The schools block was as expected, the cash rate per pupil was frozen (there was a slight increase due to a technical adjustment for non-recoupment academies) but the growth in pupils was funded. The reduction in the deprivation factors used to calculate individual schools budgets was not expected. This has the impact of reducing the funding formula allocation across schools by £1.2m.
- 9.2 As we have seen above there is a total spending pressure that has not been funded of £2.1m which was the basis for undertaking the consultation. The funding from the new proposals enables the pressure on the High Needs block to be addressed and enables an uplift to the lump

sums for primary schools.

9.3 The overall impact of all the proposals on the DSG is shown below

	£m	£m
Total budget pressure		4.1
Savings agreed at the Schools Forum on 10/12/2015 (See para 3.4 of this report)		2.0
<u>Amount to be found</u>		£2.1
 Additional funding of £0.5m for High Needs Block	0.5	
Reduced deprivation funding	1.2	
Reduction in NNDR as a result of the change in status of two schools	0.2	
£0.2m of the collaborative funding is applied to the High Needs block	0.2	
		£2.1

9.4 The movements in schools' ISB allocations are shown in the tables below. The first table shows the impact of pupil numbers and other DfE data on the allocations. The second shows the combined impact of the DfE data changes (including pupil numbers) and the proposals included in this report.

Change in funding as a percentage of budget (ISB Formula Plus MFG)			Number of schools	
			Gaining	Losing
over	8%	4	0	
6% to	7.99%	4	1	
4% to	5.99%	5	3	
2% to	3.99%	6	16	
0% to	1.99%	21	22	

40	42
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Change in funding as a percentage of budget (ISB Formula Plus MFG)			Number of schools	
			Gaining	Losing
over	8%	4	0	
6% to	7.99%	3	1	
4% to	5.99%	7	1	
2% to	3.99%	8	13	
0% to	1.99%	20	25	

42	40
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- 9.6 The schools with the largest changes, over 8%, are experiencing significant impacts because of the change in numbers on roll rather than through changes in allocation methodology.
- 9.7 The proportion of gainers and losers is 50%/50% for secondaries and all through schools both before and after the proposals contained in this report (although there is a favourable movement along the scale i.e. the size of the variations are reduced). For primaries the proportion moves from 47%/53% before the proposals to 53%/47% after. In aggregate terms the delegated budgets of primary schools rise by 1%, secondary schools by 0.4% and all through fall by 0.4% with overall average increase, including number on roll changes, being 0.6%.

## **10 Mutual Fund Terms Of Reference**

The Schools Forum holds a number of mutual funds for schools with terms of reference which require annual approval; the Contingency Fund, the Falling Rolls Fund and the Growth Fund.

The 2015/16 Growth Fund terms of reference are attached at Appendix 1 for formal approval in order that this can be minuted and provided to the DfE. The document is unchanged from previous years.

The 2016/17 terms of reference for all three mutual funds are also attached as appendices 2, 3 and 4. The Contingency and Falling Roll documents are unchanged from previous years. The Growth Fund terms of reference have been amended (with changes highlighted) to improve the clarity of the document, no change in policy is proposed. The Forum is also asked to formally agree these.